

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Date: **201515038**  
Release Date: 4/10/215  
Date: **January 15, 2015**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B= Scholarship  
C= School  
D= City  
x= dollar amount  
y= dollar amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g), dated July 21, 2014, with a postmark date of July 22, 2014. This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships, effective July 22, 2014. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request**

B has been established to help graduates of C whose life goals include earning a college education. You award \$x toward a student's tuition, fees, books, and other education-related expenses (\$y if the applicant attends a community college).

Applicants are solicited through the distribution of scholarship information and applications through C's administration.

Applicants are required to submit a complete application, along with the following:

- Proof that the candidate is accepted by an accredited institution of higher education (community college or four-year university);
- Write a personal essay of 700 -1,000 words, which informs the Screening Board about the applicant, including, but not limited to the following:
  - Where the applicant is from and currently lives;
  - The applicant's family;
  - The applicant's Interests;
  - Where the applicant plans to attend post-secondary education;
  - The applicant's short-term and long-term life goals and accomplishments; and
  - Other information the applicant wishes to provide.
- Two letters of recommendation from school personnel or community members; and
- Information about the applicant's financial need for the grant funds.

You select grantees on the basis of criteria reasonably related to the purposes of the grant including the merits of the applicant, accomplishments of the potential grantee, the candidate's future short-term and long-term college and life goals and plans.

There is a preliminary screening of all candidates by the Screening Board, which is generally made up of leading professionals from the D area, who, except for your Trustee, are not your employees. The applicant pool is generally narrowed to approximately six to eight applicants. These applicants' are then discussed among the Screening Board, which makes a final selection. Once an applicant receives a grant, the Screening Board reviews whether the applicant remains eligible for another grant. To be eligible, such applicants must be enrolled at an accredited institution of higher education, remain in good standing (proof of enrollment and grades must be provided from the institution), and be actively pursuing a degree. Neither your employees nor disqualified persons are eligible for grants. The group of persons who select recipients are not in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others.

The terms and conditions of each grant to an individual are contained in a letter sent to each recipient. The recipient is required to communicate his or her acceptance thereof by returning a signed copy of the grant letter to you. Terms and conditions include:

- Specific purpose of the grant;
- Duration of the grant;
- Total amount of the grant;

- Expenses of higher education the grant may be utilized to pay; and
- Requirements for grant renewal for the following academic year.

Grantees are expected to pursue a degree in higher education, which is consistent with the charitable purposes for which you are organized. In each case it is stipulated that a renewal of the grant for any succeeding period is contingent upon evidence of adequate performance at the time of review. At your discretion, an individual's grant may be renewed upon the student remaining in good standing with the educational institution, is enrolled at an accredited institution of higher education, and is actively pursuing a degree.

With respect to individual scholarship or fellowship grants, you arrange to receive a report of the grantee's courses taken and grades received in each academic period. Such a report must be verified by the educational institution attended by the grantee and is obtained at least once a year.

You may not consider it necessary to obtain the foregoing reports if the following conditions are met:

- The grant is a scholarship or fellowship subject to the provisions of section 117(a) of the Internal Revenue Code and is to be used for study at an educational Institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.
- You pay the scholarship or fellowship to the educational institution.
- The educational institution agrees to use the grant funds to defray the recipient's expenses or pay funds to the recipient only if he or she is enrolled at the educational institution and his or her standing at such institution is consistent with the purposes and conditions of the grant.

One of your professional staff members has the responsibility to follow the progress of the individual grant. This responsibility includes reviewing each report submitted by the funded educational institution or person, making a determination as to whether the grant purposes are being or have been fulfilled, and looking into any questions requiring further scrutiny or investigation.

Where reports to you or other information (including failure to submit reports after a reasonable time has elapsed from their due date) indicates that all or any part of grant funds are not being used for the purposes of such grant, you will initiate an investigation. While conducting the investigation, you will withhold further payments to the extent possible until you have determined that no part of the grant has been used for improper purposes and any delinquent reports have been submitted.

If you determine that any part of a grant has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted grant funds or to insure the restoration of diverted funds and the dedication of other grant funds held by the grantee to the purposes being financed by the grant. These steps will include legal action unless such action would in all probability not result in the satisfaction of execution of a judgment.

If you determine that any part of the grant has been used for improper purposes and the grantee has not previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, you will withhold further payments on the particular grant until:

- You have received the grantee's assurances that future diversions will not occur;
- Any delinquent reports have been submitted; and
- You have required the grantee to take extraordinary precaution to prevent future diversions from occurring.

If you determine that any part of the grant has been used for improper purposes and the grantee has previously diverted grant funds, you will withhold further payment until the three conditions of the preceding sentence are met and the diverted funds are in fact recovered or restored.

You also agree to maintain records that include the following:

- Information used to evaluate the qualification of potential grantees;
- Identification of the grantees (including any relationship of any grantee to you, whether the grantee is a disqualified person, etc.);
- The amount and purpose of each grant; and
- All grantee reports and other follow-up data obtained in administering the B.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

**Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination is effective July 22, 2014, the date you submitted your request for advance approval of your scholarship program under section 4945(g) of the Code.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations